

Message Text

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ACTION EA-09

INFO OCT-01 EUR-12 ISO-00 SP-02 USIA-15 AID-05 EB-08
NSC-05 SS-15 STR-04 OMB-01 CEA-01 CIAE-00 COME-00
FRB-01 INR-07 NSAE-00 XMB-04 OPIC-06 LAB-04
SIL-01 AGRE-00 /101 W
-----310510Z 077691 /11

P R 310316Z MAR 77
FM AMEMBASSY TOKYO
TO SECSTATE WASHDC PRIORITY 6546
TREASURY DEPT WASHDC PRIORITY
INFO AMEMBASSY BONN
AMEMBASSY LONDON
AMEMBASSY PARIS
AMEMBASSY ROME
AMCONSUL HONG KONG
USMISSION OECD PARIS

UNCLAS SECTION 1 OF 2 TOKYO 4521

E.O. 11652: N/A
TAGS: EFIN, JA
SUBJECT: FINANCIAL AND ECONOMIC DEVELOPMENTS -- MAR 24-30

1. SUMMARY: PRIME MINISTER FUKUDA SAYS GOVT WILL GO ALL OUT TO INSURE 6.7 PERCENT REAL GROWTH IN JAPAN FISCAL YEAR (JFY) 1977. GOVT FAILS TO ACHIEVE JFY 76 CONSUMER PRICE RESTRAINT TARGET AS TOKYO CONSUMER PRICE INDEX (CPI) INCREASES 0.5 PERCENT IN MARCH. INDUSTRIAL PRODUCTION FELL AGAIN IN FEB, BUT PRODUCERS' SHIPMENTS ADVANCED SLIGHTLY. BANK OF JAPAN SETS APRIL-JUNE CITY BANK LENDING LIMITS INDICATING CREDIT GROWTH WILL REMAIN MODERATE. END SUMMARY.

2. PRIME MINISTER FUKUDA, ON HIS RETURN FROM U.S., PLEDGED GOVT WILL DO ALL IT CAN TO ACHIEVE 6.7 PERCENT REAL GROWTH DURING JFY 1977 AND WILL NOT HESITATE TO PROVIDE ECONOMIC STIMULI NECESSARY TO REACH TARGET. IN REPLY TO QUESTION
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FROM SOCIALIST PARTY DIET MEMBER AT HOUSE OF COUNCILLORS BUDGET COMMITTEE MEETING MARCH 26, FUKUDA, NOTING REST OF THE WORLD HAS BEEN WATCHING DEVELOPMENT OF JAPANESE ECONOMY, SAID THAT GOVT WILL NOT HESITATE TO IMPLEMENT STIMULATIVE PROGRAM EARLY ENOUGH IN JFY 77 TO ACHIEVE 6.7 PERCENT TARGET IF STRENGTH OF RECOVERY DOES NOT APPEAR SATISFACTORY. PRESS GENERALLY INTERPRETED FUKUDA'S

STATEMENT AS SUGGESTING HIS WILLINGNESS TO INTRODUCE FY 77 SUPPLEMENTAL BUDGET IF PACE OF ECONOMIC RECOVERY DOES NOT ACCELERATE ADEQUATELY.

3. TOKYO CPI ROSE 0.5 PERCENT IN MARCH, BRINGING ANNUAL INCREASE FOR THIS INDEX (JEI 422) TO 9.3 PERCENT AND CRUSHING GOVT'S HOPES OF SOMEHOW KEEPING ITS PLEDGE TO LIMIT ANNUAL RISE IN CONSUMER PRICES TO 8.6 PERCENT LEVEL DURING FY 76. THIS MARKED GOVT'S FIRST SETBACK IN MEETING ANNOUNCED CONSUMER PRICE GOALS SINCE IT BEGAN SETTING CPI TARGETS IN 1974. ALTHOUGH MARCH DATA FOR NATIONL CPI, THE "STANDARD" BY WHICH GOVT MEASURES SUCCESS IN RESTRAINING INFLATION, WILL NOT BE RELEASED UNTIL NEXT MONTH, ECONOMIC PLANNING AGENCY (EPA) DIRECTOR GENERAL KURANARI SAID EPA ESTIMATES ANNUAL RISE IN NATL INDEX DURING FY 76 WAS ABOUT 9.2 PERCENT. EPA OFFICIALS EXPLAINED FAILURE TO ATTAIN TARGET AS LARGELY DUE TO EFFECTS OF COLD WEATHER AND DELAYED HIKE IN PUBLIC UTILITY FEES. SHARP PRICE INCREASES RECORDED BY SEASONAL ITEMS IN INDEX (FRESH FISH, UNPROCESSED VEGETABLES, AND FRESH FRUIT) DURING FINAL MONTHS OF 1976 AND FIRST QUARTER OF 1977 DO APPEAR TO BE FACTOR IN GOVT'S FAILURE TO ATTAIN TARGET. THESE ITEMS, WHICH COMPRISE 8.1 PERCENT OF TOTAL WEIGHT FOR TOKYO CPI, ROSE AT 32.0 PERCENT ANNUAL RATE BETWEEN SEP 76 AND MARCH 77 WHEREAS ANNUAL RATE OF INCREASE FOR ALL OTHER ITEMS AVERAGED 7.7 PERCENT DURING THIS PERIOD.

CONSUMER PRICE INDEX

(1975 EQUALS 100; NOT SEASONALLY ADJUSTED; PERCENT CHANGE UNCLASSIFIED

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FROM PRIOR PERIOD)

FISCAL YEAR DATA: (CHANGE FROM PRIOR PERIOD IS ANNUAL RISE AT FY END)

FY 1974	97.2	14.0
FY 1975	106.8	9.9
FY 1976	116.7	9.3

QUARTERLY DATA:

1976 JAN-MAR	106.2	2.6
APR-JUN	109.2	2.8
JUL-SEP	109.5	0.3
OCT-DEC	113.2	3.4
1977 JAN-MAR	116.1	2.6

MONTHLY DATA:

1976 DEC	114.1	1.1
1977 JAN	115.5	1.2
FEB	116.1	0.5
MAR	116.7	0.5

4. INDUSTRIAL PRODUCTION, SEASONALLY ADJUSTED, DECLINED

IN FEB. PRODUCERS' SHIPMENTS AND RATIO OF
INVENTORY TO SHIPMENTS RECORDED MODEST INCREASES. FEB
FIGURES SHOW CONTINUATION LACKLUSTER PERFORMANCE OF PAST
SEVERAL MONTHS WHICH HAS LEFT MINING AND MANUFACTURING
PRODUCTION (JEI 212) AND PRODUCERS' SHIPMENTS (JEI 239)
VIRTUALLY FLAT SINCE JULY 76. INVENTORY BUILDUP DURING THIS
PERIOD (RATIO OF INVENTORY TO SHIPMENTS) HAS BEEN MODERATE.
DETAILS OF JAN REVISED AND FEB PRELIMINARY
INDUSTRIAL PRODUCTION SHIPMENTS AND INVENTORIES REPORTED
SEPTEL.

INDEX, S.A., 1970 EQUALS 100; PERCENT CHANGE FROM PRIOR MONTH
IN PAREN

	MIN., MFG.	PRODUCERS'	INVENTORY TO
	PRODUCTION	SHIPMENTS	SHIPMENTS RATIO
1975 DEC	129.8 (-0.1)	130.6 (-0.8)	128.5 (3.5)
1976 JAN	128.6 (-0.2)	131.5 (0.7)	128.0 (-0.4)

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FEB 127.7 (-0.7) 131.7 (0.2) 128.1 (0.1)

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SIL-01 AGRE-00 /101 W
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FM AMEMBASSY TOKYO
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INFO AMEMBASSY BONN
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UNCLAS SECTION 2 OF 2 TOKYO 4521

5. THE BANK OF JAPAN (BOJ) ANNOUNCED MARCH 25 CREDIT EXPANSION LIMITS ON INCREASE IN LOANS BY THE 13 CITY BANKS DURING COMING APRIL-JUNE QUARTER OF 960 BIL YEN, DOWN 7.9 PERCENT FROM ACTUAL INCREASE IN THE SAME QUARTER OF 1976 THIS WILL MARK THIRD SUCCESSIVE QUARTER FOR WHICH CREDIT INCREASE IS SMALLER, OR EXPECTED TO BE SMALLER, THAN IN YEAR-EARLIER PERIOD. SMALLER CREDIT INCREASE IN COMING QUARTER REFLECTS ANTICIPATION THAT WEAKNESS OF PRIVATE CREDIT DEMANDS WILL CONTINUE. BOJ REPORTEDLY HAS PERMITTED CREDIT TO EXPAND VIRTUALLY AS MUCH AS BANKS HAVE REQUESTED. WITH IMPROVED PROFIT POSITIONS, BUSINESS CORPORATIONS APPARENTLY HAVE BEEN SHOWING PREFERENCE FOR UTILIZATION INTERNAL SOURCES OF FUNDS. THERE ARE EVEN REPORTS THAT BANKS HAVE BEEN (RELUCTANTLY) ACCEPTING REPAYMENTS ON OUTSTANDING LOANS THAT ACCORDING TO PREVIOUS PRACTICES WOULD HAVE REMAINED ON THE BOOKS DESPITE LOWER CORPORATE EXTERNAL FINANCING REQUIREMENTS. EMBASSY ESTIMATES OF CREDIT EXPANSION THROUGH END OF JUNE 1977, USING THE QUARTERLY LIMITS

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ON CREDIT GROWTH, ARE SHOWN IN RIGHT HAND COLUMN OF TABLE BELOW. DURING FIRST HALF OF THIS YEAR, BANK CREDIT EXTENSION IS ESTIMATED TO INCREASE BY AROUND 10 PERCENT FROM YEAR-EARLIER LEVEL.

	CITY BANK LENDING LIMITS		
	OUTSTANDING LOANS AND		
	DISCOUNTS, AT END OF		
	INCREASE IN LIMIT		QUARTER, PCT. CHANGE
	IN BIL YEN	PCT CHANGE	FROM PRIOR YEAR
	FROM PRIOR YR.		(NOTE)
1976 APR-JUN	1,042	18.8	11.3
JUL-SEP	1,299	1.7	11.0
OCT-DEC	1,564	MIN 3.4(REV)	10.5(REV)
1977 JAN-MAR	1,130	MIN 1.4	10.2(EST)
APR-JUNE	960	MIN 7.9	9.9(EST)

NOTE: TOTAL LOANS AND DISCOUNTS BY 13 CITY BANKS, INCLUDING SMALL AMOUNTS OF FOREIGN CURRENCY LOANS NOT INCLUDED IN LENDING LIMITS.

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Message Attributes

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Decaption Note:
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Disposition Approved on Date:
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Disposition Comment:
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Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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TAGS: EFIN, JA
To: STATE TRSY
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